

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS COMMITTEE**

**HELD ON
Friday, December 21, 2007
1:46 p.m., MST**

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. David Byers, Chair, called the meeting to order at 1:46 p.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. David Byers, Chair
 Dr. Keith Meredith
 Mr. Michael Townsend

Absent: Mr. Steven Zeman, Vice-Chair

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the Minutes of the October 25, 2007 OC Meeting

Motion: Mr. Michael Townsend moved the minutes of the October 25, 2007, OC meeting be adopted as presented. Dr. Keith Meredith seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding the Proposed 2008 Operations Committee Calendar

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, offered a proposed 2008 calendar for the Operations Committee. The Committee adopted the calendar by consensus.

4. Presentation, Discussion and Appropriate Action Regarding the ASRS OC Charter

Mr. Anthony Guarino addressed the Committee regarding the OC Charter and the changes and updates that were requested by the Committee members at the October OC meeting.

Motion: Mr. Michael Townsend moved the Committee adopt the changes to the OC Charter and recommend to the ASRS Board the Charter be accepted for inclusion in the Governance Handbook. Dr. Keith Meredith seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

5. Presentation, Discussion and Appropriate Action Regarding Requests for Future Agenda Items

Mr. Guarino addressed the Committee regarding the list of mandatory and potential topics for the OC calendar for 2008. He stated he had surveyed Committee members regarding their prioritization of the future agenda topics and presented a chart of how each agenda topic ranked.

Mr. David Byers said he would like the list to be considered for inclusion in upcoming agendas for more than just 2008.

After some discussion, the consensus of the Committee was that the Chair would work with Staff to develop agenda items over the coming months using the presented list as a guidepost.

6. Review of Recently Conducted Audits

- **Country Gardens Charter School**
- **Deer Valley Unified School District**
- **New Retirees' Final Audit Process and Survivor Benefits**
- **Real Estate Investment Program**

Mr. Anthony Guarino introduced Mr. Bernard Glick, the ASRS Chief Auditor, who updated the Committee on four recently conducted audits.

The first audit dealt with Country Gardens Charter School. Mr. Glick said the school owed the ASRS \$11,612 due to a combination of the school not remitting all contributions or remitting ASRS contributions in excess of the amount withheld from employees. He said the school refused to respond to the audit but the amount owed to the ASRS had been garnished by the State so no amount was due to the ASRS.

The second audit concerned Deer Valley Unified School District. Mr. Glick stated the district owed the ASRS \$375,678 due to the fact the district had not remitted contributions from employees who met the 20/20 determination and employees who were eligible to participate in the ASRS because they were contributing at other ASRS employers. It was also determined the district did not identify certain employees that were no longer eligible for certain parts of the ASRS insurance program.

The district appealed the finding regarding the 20/20 determination. The issue was directed to Staff and a response to the appeal was sent to the district on December 5, 2007, stipulating the findings by the auditors were valid, but not taking a punitive stance against the district.

The next audit addressed the New Retirees' Final Audit and Survivor Benefits. Mr. Glick indicated the audit was very clean noting the only failure by the agency was shortfalls that were discovered in the processing of survivor benefits including missing death certificates, improper use of checklists and contents of files that were not organized uniformly.

The final audit dealt with the ASRS Real Estate Investment program. Mr. Glick said the audit of the fairly new program showed lack of consistency in policies and procedures. He also indicated that external real estate managers sometimes did not adhere to ASRS policy. A note was also made that minutes at the real estate meetings were not thorough, and greater detail should be

included. However, Mr. Glick indicated that most of the issues have been addressed or were being addressed by the Investment Management Division of the ASRS.

Mr. Gary Dokes, the ASRS Chief Investment Officer, commended the auditing staff for their hard work and efforts in providing a thorough audit of the new program.

7. Presentation, Discussion and Appropriate Action Regarding the Monthly Internal Audit Reports

Mr. Glick presented a spreadsheet containing the current state of internal audits for the three months that ended in November 2007. The spreadsheet listed the current audits, the hours budgeted and estimates as to how many hours were used to perform the audits.

Mr. Guarino relayed a request by Mr. Zeman that Internal Audit Reports be presented quarterly instead of monthly.

Motion: Mr. Michael Townsend moved the Internal Audit Report be presented quarterly instead of monthly. Dr. Keith Meredith seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

8. Call to the Public

No members of the public addressed the Committee.

9. Adjournment of the OC

Mr. David Byers adjourned the meeting at 2:28 p.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date